

Message Text

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TO AMEMBASSY CARACAS PRIORITY

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E.O. 11672, N/A

TAGS: PFOR, VE

SUBJECT: PRESS GUIDANCE ON VENEZUELA

FOLLOWING GUIDANCE PREPARED FOR USE BY DEPARTMENT SPOKESMAN
AT NOON BRIEFING, MARCH 13 (NO QUESTIONS ASKED AT BRIEF-
ING):

Q: PRESIDENT PEREZ OF VENEZUELA STATED IN HIS INAUGURAL
SPEECH THAT HE WOULD NATIONALIZE THE OIL INDUSTRY. IS THIS
A NEW AND UNEXPECTED DEVELOPMENT? WHEN DO YOU EXPECT HIM
TO FOLLOW-UP ON HIS PLEDGE?

A: PRESIDENT PEREZ SIMPLY REPEATED WHAT HE AND ALL OTHER
PRESIDENTIAL CANDIDATES PLEDGED DURING THE ELECTION CAM-
PAIGN: NAMELY, TO SPEED-UP REVERSION. UNDER VENEZUELA'S
REVERSION LAW, WHICH WAS PASSED IN 1971, ALL PETROLEUM
INDUSTRY ASSETS BEGIN TO REVERT, WITHOUT COMPENSATION, TO
THE STATE AS THE CONCESSIONS BEGIN TO EXPIRE IN 1983.
PRESIDENT PEREZ DID NOT INDICATE WHEN HE WOULD NATIONALIZE
THE OIL INDUSTRY, BUT STATED THAT HE WOULD CREATE A
COMMISSION TO STUDY THE QUESTION OF EARLY REVERSION. (HE
HAS EARLIER SAID HE EXPECTED TO RESOLVE THIS PROBLEM
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DURING THE FIRST TWO YEARS OF HIS ADMINISTRATION). IT IS

OUR UNDERSTANDING THAT THE PETROLEUM COMPANIES WILL BE COMPENSATED IN THE EVENT OF NATIONALIZATION.

Q: WHAT DID PRESIDENT PEREZ MEAN BY THE ECONOMIC TOTALITARIANISM OF DEVELOPED COUNTRIES? LIKE THE ARAB COUNTRIES, DOES HE INTEND TO USE OIL AS A WEAPON?

A: VIRTUALLY ALL LATIN AMERICAN COUNTRIES HAVE LONG COMPLAINED ABOUT THE LOW PRICES RECEIVED FOR THEIR RAW MATERIALS AND HIGH PRICES CHARGED FOR IMPORTED MANUFACTURED GOODS. PRESIDENT PEREZ WAS SIMPLY REFLECTING THIS GENERAL DISSATISFACTION. PRIOR TO HIS INAUGURATION, PRESIDENT PEREZ HAD STATED THAT HE WOULD USE PETROLEUM AS AN INSTRUMENT TO ACHIEVE TRADE CONCESSIONS FROM THE INDUSTRIALIZED NATIONS. THIS DOES NOT SUGGEST TO ME THAT VENEZUELA WOULD CONTEMPLATE AN OIL EMBARGO SUCH AS THEIR ARAB OPEC ASSOCIATES. IT DOES SUGGEST THAT WE ARE ENTERING INTO A PERIOD OF MORE INTENSIVE MULTILATERAL TRADE NEGOTIATIONS SINCE THIS PROBLEM IS OF INTERNATIONAL SCOPE.

Q: WHAT DO WE THINK OF PRESIDENT PEREZ' INAUGURATION SPEECH IN GENERAL?

A: IT WAS A GOOD SPEECH AND FOR ANYONE WHO HAS FOLLOWED HIS EARLIER PUBLIC PRONOUNCEMENTS IT CONTAINED NO SURPRISES. BOTH BEFORE AND AFTER THE SPEECH, WE ANTICIPATE GOOD, FRIENDLY, CONSTRUCTIVE RELATIONS WITH VENEZUELA UNDER THE LEADERSHIP OF PRESIDENT CARLOS ANDRES PEREZ. KISSINGER

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